

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
NSCE-00 SSO-00 USIE-00 INRE-00 IO-13 OMB-01
TRSE-00 EB-08 LAB-04 SIL-01 /079 W
-----211132Z 022357 /17

O R 210953Z MAR 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 1750
INFO AMEMBASSY BONN IMMEDIATE
AMEMBASSY BRUSSELS IMMEDIATE
AMEMBASSY COPENHAGEN IMMEDIATE
AMEMBASSY DUBLIN IMMEDIATE
AMEMBASSY THE HAGUE IMMEDIATE
AMEMBASSY LUXEMBOURG IMMEDIATE
AMEMBASSY PARIS IMMEDIATE
AMEMBASSY ROME IMMEDIATE
USMISSION EC BRUSSELS IMMEDIATE
USMISSION NATO BRUSSELS IMMEDIATE
USMISSION OECD PARIS
AMCONSUL EDINBURGH
AMCONSUL BELFAST

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 04615

E.O. 11652: GDS
TAGS: PGOV, PIN/T, UK
SUBJECT: OUTLOOK FOR GOVERNMENT DARKENS

REF: LONDON 4578

SUMMARY. THE ODDS ON THE GOVERNMENT'S SURVIVAL HAVE
WORSENEED OVER THE WEEKEND. THE LIBERALS ANNOUNCED THEY
WOULD VOTE AGAINST THE GOVERNMENT UNLESS IT RENOUNCED ITS
"SOCIALIST PROGRAM"; THE POSITION OF THE ULSTER UNIONISTS
SEEMED TO HARDEN, THOUGH POWELL AND MOLYNEAUX, THEIR
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LEADER, HAVE REMAINED SILENT; AND FORMER LABOR MINISTER
REG PRENTICE TOOK A POSITION SIMILAR TO THAT OF THE
LIBERALS. CALLAGHAN'S LEFT FLANK LOOKS AS THOUGH IT WILL
HOLD, DESPITE SOME THEATRICALS, BUT SIX LABOR MPS ARE IN
POOR HEALTH AND MAY NOT BE ABLE TO ENTER THE DIVISION
LOBBIES. THE CONSERVATIVES SEEM TO BE IN GOOD HEALTH.
THE ARITHMETIC SUGGESTS THAT CALLAGHAN WILL BE FORCED TO

A GENERAL ELECTION IF ACCOMMODATION IS NOT REACHED WITH EITHER THE LIBERALS OR UNIONISTS, AND THEY ARE AWARE THEIR LEVERAGE HAS INCREASED MARKEDLY. WE EXPECT THE BARGAINING TO BEGIN IN EARNEST TODAY, AND CONTINUE UNTIL ALMOST THE LAST MOMENT. END SUMMARY.

1. THE GOVERNMENT'S POSITION SEEMED TO DETERIORATE OVER THE WEEKEND. LIBERAL LEADER DAVID STEEL TOLD THE PRESS THAT ALL LIBERAL MPS HAD AGREED TO VOTE AGAINST THE GOVERNMENT UNLESS IT AGREES TO "NO FURTHER EXTENSION OF SOCIALISM" AND ENTERS INTO A PUBLIC UNDERTAKING TO THIS END. SPECIFICALLY, STEEL MENTIONED TAX REFORM, INDUSTRIAL DEMOCRACY ON A BASIS OTHER THAN THE BULLOCK REPORT, DEVOLUTION AND DIRECT ELECTIONS, THE LATTER TWO WITH PROPORTIONAL REPRESENTATION (PR), AS ISSUES ON WHICH HE WANTED SPECIFIC COMMITMENTS FROM THE GOVERNMENT. ON THE FIRST TWO POINTS ACCOMMODATION WOULD APPEAR RELATIVELY EASY' BUT WE SEE NO WAY CALLAGHAN COULD DELIVER ON PR, EVEN IF HE WISHED TO DO SO (SEE SEPTTEL). AS STEEL'S CONDITIONS NO DOUBT REOERSENT AN INITIAL BARGAINING POSITION. THERE SHOULD BE ROOM FOR COMPROMISE. THE LIBERALS' COHESION IS AN IMPORTANT CONSIDERATION -- SOME OBSERVERS BELIEVE SEVERAL LIBERAL MPS ARE VERY RELUCTANT TO VOTE AGAINST THE GOVERNMENT BECAUSE A GENERAL ELECTION WOULD PLACE THEIR SEATS IN JEOPARDY. IN ANY EVENT. WE ANTICIPATE DISCUSSIONS BETWEEN THE GOVERNMENT AND THE LIBERALS WILL CONTINUE INTO WEDNESDAY.

2. MEDIA CONTACTS WITH 7 OF THE 10 ULSTER UNIONIST MPS
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INDICATE THAT THEY FAVOR VOTING AGAINST THE GOVERNMENT. BUT NEITHER ENOCH POWELL NOR JAMES MOLYNEAUX HAS BEEN HEARD FROM. MOLYNEAUX IS KNOWN TO HAVE MET WITH LEADER OF THE HOUSE MICHAEL FOOT, WHO REPORTEDLY OFFERED A GOVERNMENT COMMITMENT TO INCREASED ADMINISTRATIVE DEVOLUTION IN NI AND INCREASED NI REPRESENTATION IN PARLIAMENT IN RETURN FOR UNIONIST SUPPORT. MOLYNEAUX HAS / PUBLICLY ADVOCATED GREATER ADMINISTRATIVE DEVOLUTION IN NI AS A STOP GAP. AND THE GOVERNMENT'S PACKAGE WOULD GIVE POWELL ENOUGH TO ARGUE STRONGLY IN THE UNIONIST CAUCUS FOR SUPPORTING THE GOVERNMENT. AS THE GOVERNMENT IS PROBABLY WILLING TO SWEETEN ITS OFFER' WE EXPECT THE UNIONISTS WILL HOLD OFF ON ANY DECISION PENDING FURTHER DISCUSSIONS.

3. THE SCOTTISH AND WELSH NATIONALISTS. 14 SEATS TOGETHER. ARE RESOLVED TO VOTE FOR CENSURE, AND THE TWO SCOTTISH LABOR PARTY (SLP) MPS ARE TESTING THEIR MANHOOD AGAINST THAT OF THE NATIONALISTS. NEITHER GROUP IS APT

TO BLINK.

4. IN ADDITION, THERE WERE SIGNS OF UNREST IN THE LABOR CAMP. FORMER MINISTER REQ PRENTICE TOOK A LINE SIMILAR TO THAT OF THE LIBERALS, AND WE UNDERSTAND HE HAS BEEN IN TOUCH WITH STEEL (SOME LABOR MPS BELIEVE HE IS

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PREPARING TO JOIN THE LIBERAL CAUSE). MP JOHN RYMAN.
A LEFT-WING LONER, ALSO MADE THREATENING NOISES. BUT
OUR SOURCES DO NOT BELIEVE HE WILL ABANDON THE GOVERN-
MENT. WE UNDERSTAND THE LEFT-WING TRIBUNE GROUP HAS
UNDERTAKEN A MAJOR EFFORT TO ENSURE ITS MEMBERS ARE FULLY
BEHIND THE GOVERNMENT. AND ONE TRIBUNE SOURCE TELLS US

THEY WILL ACCEPT VIRTUALLY ANY DEAL THE GOVERNMENT HAS TO
MAKE IN ORDER TO STAY IN POWER. AS LONG AS IT REMAINS
PUBLICLY SILENT ABOUT THE DETAILS. CALLAGHAN IS AWARE OF
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THE TRIBUNE POSITION. THIS SEES TO
SPOT IN THE GOVERNMENT'S OTHERWISE BLEAK OUTLOOK -- WITH
A SECURE LEFT FLANK. CALLAGHAN'S FREEDOM TO DEAL BARGAIN
WITH THE LIBERALS AND UNIONISTS IS GREATLY ENHANCED.

5. LABOR'S CONTINUED SUPPORT OF THE NATIONAL HEALTH
SERVICE MAY NOT BE ENTIRELY ALTRUISTIC. AS THEIR PARLIA-
MENTARIANS ARE USUALLY IN POORER HEALTH THAN THEIR TORY
COUNTERPARTS. SIX LABOR MPS ARE CURRENTLY HOSPITALIZED
OR SERIOUSLY ILL. TWO OF THEM IN GRAVE CONDITION, WHILE
THE HEALTH OF THE TORIES IS GLOWING, AT LEAST IN RELATIVE
TERMS. THIS, OF COURSE. ADDS TO CALLAGHAN'S PROBLEM.

6. ARITHMETICALLY, CALLAGHAN IS IN DEEP TROUBLE. HE HAS
307 LABOR VOTES (EXCLUDING PRENTICE AND THE TWO GRAVELY
ILL MPS), PLUS TWO FROM NORTHERN IRELAND (THE SOCIAL
DEMOCRATIC LABOR PARTY MP AND THE INDEPENDENT REPUBLI-
CAN), FOR A TOTAL OF 309. THE CONSERVATIVES HAVE THEIR
OWN 278 VOTES (ASSUMING NO DEFECTIONS), PLUS 14 NATIONAL-
IST AND THE TWO SLP MPS, FOR A TOTAL OF 294. THE OUTCOME
WILL TURN ON THE REMAINING 24 MPS: 13 LIBERALS, 10
ULSTER UNIONISTS, AND PRENTICE. ALL 24 ARE NOW TILTING
AGAINST THE GOVERNMENT. TO WIN, CALLAGHAN NEEDS A MINI-
MUM OF 9 ABSTENTIONS, 5 SUPPORTING VOTES OR A COMBINATION
OF THE TWO (E.G. 1 SUPPORTING VOTE AND 7 ABSTENTIONS --
IN THE EVENT OF A TIE, THE SPEAKER WOULD CAST THE
DECIDING VOTE FOR THE GOVERNMENT, IN ACCORDANCE WITH
PRECEDENT).

7. BOTH THE LIBERALS AND THE ULSTER UNIONISTS REALIZE
THEIR LEVERAGE HAS INCREASED DRAMATICALLY AND CAN BE
EXPECTED TO SEEK THE MAXIMUM POSSIBLE ADVANTAGE. SOME
DISCUSSIONS HAVE ALREADY TAKEN PLACE, BUT THE PACE IS
EXPECTED TO INTENSIFY TODAY (MARCH 21). THE UNIONISTS
APPEAR TO OFFER THE EASIEST TARGET, BUT WITH THE
EXCEPTION OF POWELL ARE NOT A PARTICULARLY SKILLFUL
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BUNCH. THEY COULD OVERLAY THEIR HAND. IF ONLY FOR
THIS REASON, THE GOVERNMENT CANNOT AFFORD TO IGNORE THE
LIBERALS, THOUGH THEY TOO COULD OVERPLAY THEIR HAND IF

THEY INSIST ON PR AND A PUBLIC UNDERTAKING FROM THE
GOVERNMENT. OUR ESTIMATE AT THIS POINT IS THAT THE
GOVERNMENT'S CHANCES FOR SUCCESS ARE LESS THAN 50/50 --
SAY 40/60. JIM MAY BE HARD PRESSED TO FIX IT THIS
TIME, BUT THE TASK IS BY NO MEANS IMPOSSIBLE.

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